

**Office of Inspector General
U.S. Department of State
U.S. Arms Control and Disarmament Agency
U.S. Information Agency, including
Broadcasting Board of Governors**

Reports and Testimony

June 1998

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issue date of the original report. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Reports Issued by the Office of Audits

Memorandum Audit Report

Survey of U.S. Information Agency Freedom Support Act Funding to the New Independent States

(98-CG-014)

This report presents the results of OIG's survey of Freedom Support Act funding to the New Independent States (NIS) of the former Soviet Union. The survey was conducted to determine (1) the level of financial resources the Department transferred or allocated to the U.S. Information Agency under interagency agreements, (2) the level of financial resources USIA awarded to grantees, and (3) the extent to which USIA had developed and implemented procedures to provide financial and programmatic oversight of NIS programs.

The survey showed that during FYs 1993 through 1996, the Department transferred about \$224.4 million to USIA under section 632 (a) of the Freedom Support Act. Under this section of the act, the receiving agency becomes accountable for the funds. Of the \$224.4 million received, USIA awarded about \$195.2 million to 146 non-profit organizations.

USIA had established specific controls to ensure compliance with the financial and programmatic monitoring requirements of the Freedom Support Act. Specifically, USIA required independent financial audits of grantees receiving \$25,000 or more in Federal funds; restricted award amounts and required accounting system reviews for first-time grantees; and provided the Department periodic updates on project activities, fund obligations, and accrued expenditures. USIA had also developed and implemented a three-part plan that included (1) attitudinal surveys of program participants, (2) contacts through the grantee organizations, and (3) domestic and overseas on-site program reviews to evaluate and measure progress on NIS exchange programs. OIG will use the survey data as a baseline for future scheduled audits of NIS programs.

Memorandum Audit Report

Review of Selected Management and Financial Practices of the Multinational Force and Observers

(98-CG-015)

The Office of Inspector General (OIG) conducted a review of selected management and financial practices of the Multinational Force and Observers (MFO) for the fiscal year ended September 30, 1997. The objective of the review was to assess whether the MFO complied with its administrative and financial regulations during the fiscal year, particularly those affecting salaries and benefits of the Director General and senior staff. OIG's review consisted primarily of

examining work performed by MFO's independent auditing firm and included such additional tests as OIG considered necessary. OIG also reviewed MFO's budgeted and actual expenditures for the 6-month period ended March 31, 1998, to assess any trends or significant changes following the end of the fiscal year.

The MFO's independent auditor had concluded that the pay and benefits of the Director General and other senior staff during FY 1997 were substantially in compliance with MFO regulations and procedures. OIG found the conclusions reached by the independent auditor to be fairly stated.

Based on expenses incurred through the first two quarters of FY 1998, MFO has projected total expenses for the fiscal year to be about \$50.7 million, or about \$300,000 less than its proposed FY 1998 budget. MFO's FY 1997 expenditures exceeded its FY 1996 expenditures by about \$2.2 million. The change primarily stemmed from increases in expenses for troop rotation, force protection, repair and maintenance of water tanks, preparation of the new headquarters building, purchases of vehicles, and refurbishment of junior staff quarters at North Camp.

Memorandum Audit Report

Review of the Internal Controls Over Procurement Operations at Embassy Nassau
(98-CG-016)

The Office of Inspector General (OIG's) conducted a review of the internal controls over Embassy Nassau's procurement operations. Embassy Nassau requested the review because a Foreign Service National (FSN) employee diverted Embassy funds for personal use. After OIG's Office of Investigations completed an investigation of the allegation, Embassy officials requested OIG's Office of Audits to review procurement operations and identify internal controls in need of improvement.

OIG identified various internal control weaknesses in the Embassy's procurement process. These weaknesses included inadequate procedures to ensure compliance with regulations for processing and certifying vouchers and claims, inconsistent review of post financial reports, and incomplete vendor documentation. Factors that contributed to these weaknesses included a lack of training and inadequate oversight of daily financial operations. The Embassy agreed to initiate actions to enhance its control of and oversight over procurement operations, which would help reduce the likelihood that fraud, waste, or mismanagement could occur.

Reports Issued by the Office of Inspections¹

Embassy Athens, Greece, Its Constituent Post, and the U.S. Information Service Greece (ISP/I-98-27)

Advancing U.S. policy interests in Greece is a struggle against an unpromising policy environment. Shaped by a view that the United States "kept the colonels in power" in the late 60's and early 70's and has favored Turkey since then, Greek attitudes are a cause for pessimism among some American officials. The Ambassador, however, believes that only the United States can help the declining relations between Greece and Turkey. The Ambassador, a previous Department spokesman, is spearheading the effort to make the Greek cooperation, especially with the military, public. This is a risky venture with the known hostility of the press. The ambassador and the recently arrived deputy chief of mission are accredited with improving mission morale, bringing the local national staff into the family, and creating a new sense of community. In the General Services area, local national supervisors have gained a damaging degree of *de facto* control over their own areas of responsibility as well as other aspects of mission operations. This has serious implication for the success of ICASS, the new system for inter-agency cooperation in provision of administrative support. The embassy's management must give its full backing to an agency-wide approach to this problem at the mission. The new leadership also engage Consulate General Thessaloniki in the policy review now underway in Athens, so that the post can determine its resource needs.

¹ Inspections carried out by the Office of Inspections comprehensively review the operations and overall management of a given post, mission, bureau, or office of the Department of State, Arms Control and Disarmament Agency, U.S. Information Agency, or the Broadcasting Board of Governors, without attempting to evaluate indepth any particular function or program. Their main purpose is to bring important issues and management deficiencies to the attention of senior management together with recommendations for corrective action, although they also include self-evaluation and self-correction through counseling.

Reports Issued by the Office of Security and Intelligence Oversight²

Annual Security and Intelligence Oversight Inspection of the Foreign National Employee Program **(SIO/I-98-22)**

This annual review is designed to ensure that adequate security safeguards are in place with respect to foreign national employees (FNEs) at Embassy Moscow and constituent posts. Following a decision in 1992 to re-hire FNEs (primarily Russian nationals) to work in nonsensitive positions at Embassy Moscow, the number of such employees has grown.

Embassy Port of Spain, Trinidad, Tobago **(SIO/I-98-25)**

Embassy Port of Spain needs to improve many areas of its security program. Many of the deficiencies in its security program are the result of staffing gaps and unanticipated curtailments of the assignments of key embassy personnel.

Followup Review of Embassy Baku, Azerbaijan **(SIO/C-98-26)**

A security oversight followup review of Embassy Baku found that security at the post had improved considerably since issuance of the original inspection report in November 1995. The Ambassador, a trained post security officer, the establishment of a 24-hour cleared American presence, and a responsive regional security officer in Tbilisi all contributed to an overall upgrading of security at the post.

Issues that require attention by the embassy include improved monitoring of access to the post's controlled-access areas and conduct of emergency drills. Also, the Department needs to ensure that the embassy receives regional technical security support from the regional office that provides that assistance.

² Inspections undertaken by the Office of Security and Intelligence Oversight (SIO) evaluate the formulation, dissemination, and applicability of security standards set in Washington and their implementation at all U.S. diplomatic posts abroad. The SIO inspections assess the ability of each post to respond to threats from terrorism, mob, or other physical intrusion, hostile intelligence activities, and crime, and recommend specific corrective actions to eliminate or reduce the security vulnerabilities identified. Because they discuss specific security problems at the inspected posts, the reports are classified and are distributed on a strict need-to-know basis.

Embassy Brasilia, Brazil
(SIO/I-98-28)

Embassy Brasilia is implementing effective programs to counter the threat of crime, which is rated at the “critical” level in both Sao Paulo and Rio de Janeiro. It is also expanding the role of the senior regional security officer to manage the mission-wide security program more effectively. Due to life safety issues, however, the seriously deteriorating condition of Rio de Janeiro’s office building has presented significant management problems in terms of both underutilization of space and, more recently, serious structural deterioration.

Embassy Santiago, Chile
(SIO/I-98-31)

Based on a review of the emergency preparedness readiness questionnaires sent to post prior to the inspection, the inspectors were troubled by the fact that approximately 30% of American officers claimed not to know what to do if cut off from the embassy in the event of a natural disaster.

Although the move to the present chancery in 1994 corrected a number of previously existing physical security vulnerabilities in the former building, physical security problems still exist due to design flaws. Because visitors, visa applicants, and Americans seeking assistance enter the compound by a single entrance, frayed nerves sometimes result when some people cut in line.

Radios at Embassy Santiago need to be updated. In an earthquake prone country such as Chile, a viable radio net is a necessity, not a luxury. As has been determined by previous inspections at other posts in the region, some handheld radios in the field are no longer being technically supported by their manufacturers thus making repairs either expensive or impossible.